

Chapter 8 Printers Company

1. When an inventory item is sold, the difference between the amount received (e.g., \$100.00) and the cost of the item (e.g., \$60.00) is profit (e.g., \$40.00).

Selling price	\$100.00
Cost of item(s)	<u>\$ 60.00</u>
Profit	\$ 40.00

This profit (called gross profit or gross margin) can be described in percentage format in two different ways.

*The **Margin** method for gross profit is calculated as follows:*

$$(Selling\ Price\ less\ Cost / Selling\ Price)\ \$100-\$60/100 = 40\%$$

*The **Markup** method for gross profit is calculated as follows:*

$$(Selling\ Price\ less\ Cost/Cost)\ \$100-\$60/60 = 66\ 2/3\%$$

2. Sales returns of inventory items are recorded using the Sales Invoices icon with a negative invoice. Purchases of Inventory items are recorded using the Purchases Invoices icon with a positive invoice.
3. The benefit of the **minimum** field is that it shows the lowest number of items that must be in stock before an order is placed for more items. When the actual number of items in stock goes below this minimum number, an * appears in the Inventory Quantity report showing an order should be placed.
4. Adjustments on inventory items can be made at any time that a difference (variance) occurs between the actual physical count of items in stock compared to the computer count. It is common to find differences between the actual count and what is recorded by Sage 50 Accounting as being in stock. The Sage 50 Accounting records must be changed to agree with the actual count. Most companies perform random physical counts on a regular basis; e.g., weekly, monthly and normally count the complete inventory at the end of a fiscal year.

Inventory adjustments can be used to increase or decrease the number of items in stock and/or increase or decrease the total dollar amount of each item in the inventory.

5. Sage 50 Accounting allows the use of the Average Cost method or the FIFO (First In and First Out) methods of valuing the inventory. You can move from Average Cost to FIFO. The text uses the Average Cost method.

1. The Build from Bill of Materials Journal is used to automatically create the number of inventory items being produced. See Exercise 8-21.

The Build from Inventory Assembly Journal is used to manually create the inventory items being produced. See Information Only section before Exercise 8-22.

2. You make corrections for posting errors related to inventory purchases and sales in the same manner as you record errors in other modules. You use the Item field to identify the inventory item being corrected.
3. Preferred pricing is the special prices you give to customers who buy a lot of goods/services.